

Message Text

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ACTION EA-09

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FM USLO PEKING

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E.O. 11652: N/A

TAGS: ENRG ETRD CH US

SUBJECT: RECENT SALES OF US OIL FIELD EQUIPMENT TO CHINA

SUMMARY AND INTRODUCTION: IN RECENT WEEKS FOUR U.S. OIL FIELD EQUIPMENT COMPANIES, DRESSER, BAKER TRADING, CAMERON IRON WORKS AND FMC HAVE MADE SALES TOTALING AN ESTIMATED \$30 MILLION TO CHINA. A FOURTH FIRM, LITTON RESOURCES SYTEMS, IS CURRENTLY IN PEKING FOR NEGOTIATIONS ON SUPPLYING SEISMOLOGICAL EQUIPMENT FOR OFF-SHORE EXPLORATION. TAKEN TOGETHER THESE TRANSACTIONS INDICATE A MARKED INCREASE IN PRC EFFORTS TO OBTAIN PETROLEUM RELATED EQUIPMENT AND TECHNOLOGY FROM THE UNITED STATES. END SUMMARY AND INTRODUCTION.

1. DURING CALL ON DECEMBER 16, LITTON RESOURCES SYSTEMS REPRESENTATIVE PAUL MADELEY TOLD USLO HIS FIRM HAS BEEN INVITED TO BID ON SUPPLYING A COMPUTER AND RELATED SEISMOLOGICAL EQUIPMENT FOR SHIPBOARD USE IN OFF-SHORE OIL EXPLORATION. MADELEY EXPECTS SEVERAL WEEKS OF NEGOTIATIONS, BUT SAID THE CHINESE HAVE EXPEDITED THE VISIT AND HAVE BEEN VERY COOPERATIVE. LITTON MAY HAVE PROBLEMS IN OBTAINING AN EXPORT LICENSE FOR THE COMPUTER BUT EXPECTS NO LIMITED OFFICIAL USE

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DIFFICULTY IN EXPORTING THE REST OF THE PACKAGE.

2. LITTON'S VISIT FOLLOWS THE SALE IN EARLY DECEMBER OF \$400,000 WORTH OF OIL WELL HEADS (CHRISTMAS TREES) BY FMS'S PETROLEUM EQUIPMENT DIVISION AND ITS FRENCH SUBSIDIARY. ACCORDING TO THE FIRM'S HONG KONG AGENT, THE AMOUNT SOLD WAS MERELY A TEST QUANTITY AND MORE ORDERS ARE EXPECTED IF THE CHINESE ARE SATISFIED WITH PERFORMANCE. MORE THAN HALF THE EQUIPMENT WILL COME FROM HOUSTON WITH THE REMAINDER SUPPLIED FROM FRANCE.

3. ALSO IN EARLY DECEMBER , C.J. WANG (INTERNATIONAL CORPORATION OF AMERICA) INFORMED USLO BY TELEPHONE THAT HE HAD COMPLETED A SALE OF OIL WELL HEADS ON BEHALF OF CAMERON IRON WORKS. WANG SAID THE CONTRACT WAS WORTH \$750,000.

4. AFTER A TOTAL OF MORE THAN FOUR MONTHS OF NEGOTIATIONS WITH THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT), BAKER TRADING COMPANY COMPLETED THE SALE OF A MULTI-MILLION DOLLAR PACKAGE OF OIL FIELD EQUIPMENT IN LATE NOVEMBER. ACCORDING TO BAKER PRESIDENT J. RAY PACE, THE PACKAGE INCLUDES OIL WELL STIMULATION SYSTEMS, PUMPS , WELL HEADS, AND OTHER TYPES OF EQUIPMENT FOR ON-SHORE SPPLICATIONS.

5. IN EARLY NOVEMBER, DRESSER INDUSTRIES COMPLETED THE SALE OF NINE TRUCK-MOUNTED WELL LOGGING UNITS, TWO COMPUTERS, THREE WELL PERFORATING UNITS AND ACCESSORIES VALUED AT \$23 MILLION. AT CHINESE INSISTENCE, THE CONTRACT WAS SIGNED IN THE NAME OF DRESSER'S CANADIAN SUBSIDIARY AND THE FIRM'S TWO AMERICAN REPRESENTATIVES HAD TO OBTAIN THEIR PRC VISAS IN OTTAWA. NO EXPLANATION WAS GIVEN FOR TECHIMPORT'S EFFORTS TO GIVE THE DEAL A CANADIAN APPEARANCE SINCE DRESSER MADE IT CLEAR THAT ALL OF THE EQUIPMENT WOULD COME FROM THE UNITED STATES.

6. ACCORDING TO DRESSER, THE EQUIPMENT WILL BE DIVIDED INTO TWO COMPLETE SETS AND SHIPPED SEPARATELY LIMITED OFFICIAL USE

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TO SHANGHAI AND THE TIENTSIN PORT OF HSINKANG BEGINNING IN EARLY 1977. ONE SET WILL BE USED IN EASTERN CHINA AND THE OTHER WILL BE SENT TO A SITE DESCRIBED BY TECHIMPORT AS "2,000 KILOMETERS WEST OF PEKING," PRESUMABLY IN SINKIANG. DRESSER WILL PROVIDE TRAINING FOR 33 CHINESE TECHNICIANS IN HOUSTON AND 13 AMERICAN ADVISORS WILL SUPERVISE INSTALLATION OF THE EQUIPMENT IN CHINA.

7. INFORMATION ABOVE IS COMMERCIALLY SENSITIVE AND
SHOULD BE PROTECTED.

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Margaret P. Grafeld
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